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APPROVED FOR RELEASE DATE: 01-Sep-2009

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CIACPAS NID 90-141JX

Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Monday, 18 June 1990

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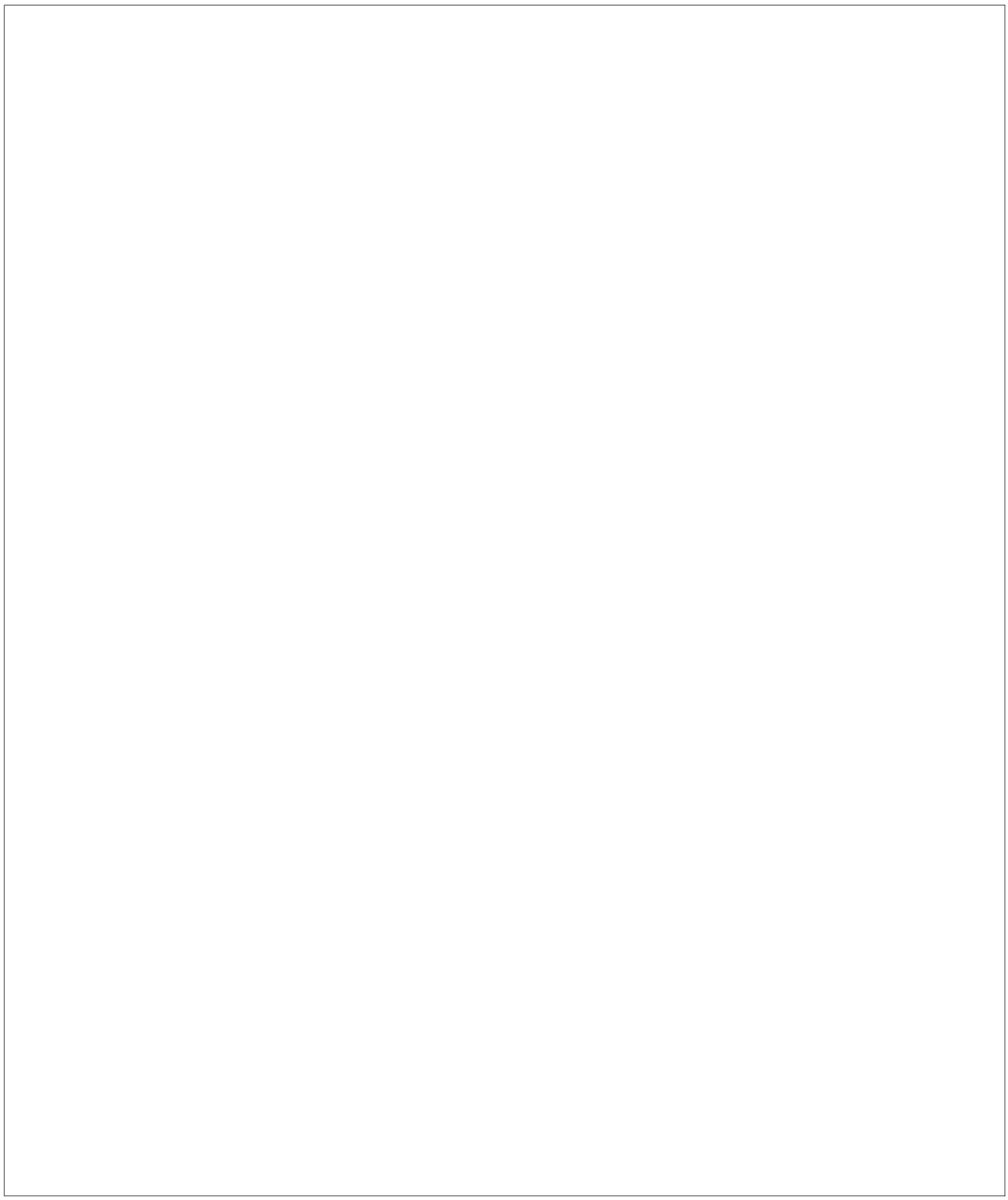

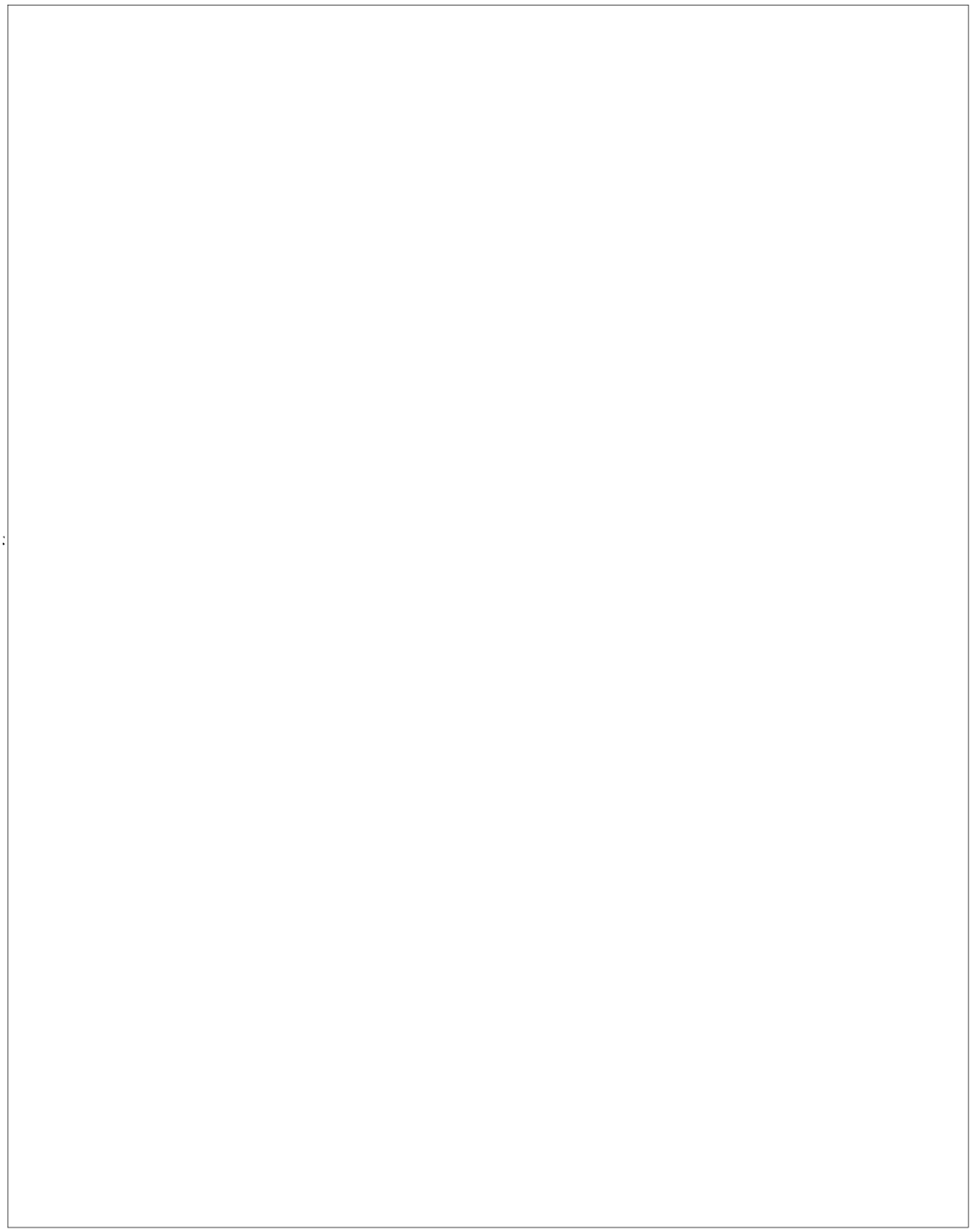

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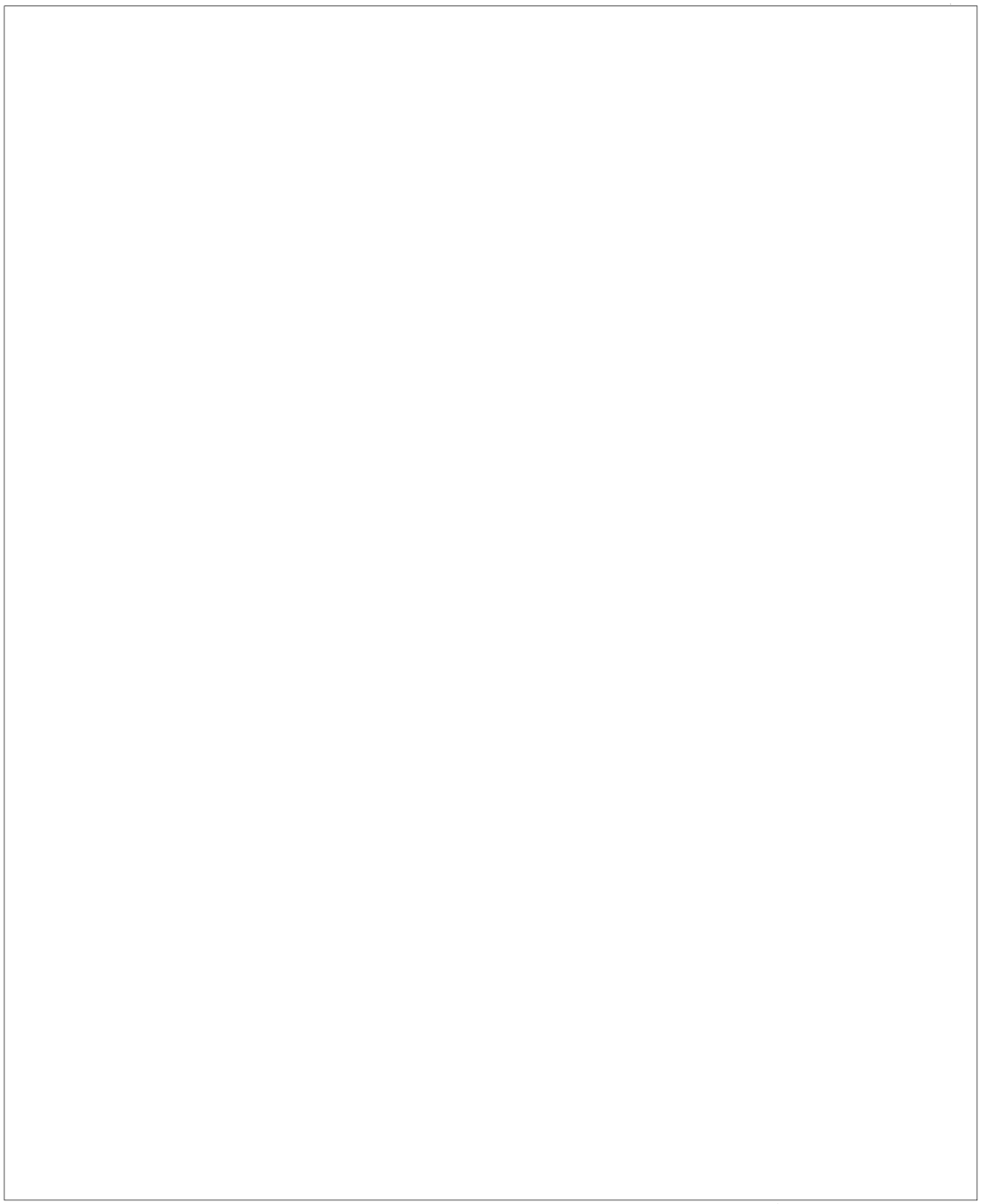

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Namibia

Debut of New President

Sam Nujoma selected the US for his first trip outside Africa since Namibian independence in March in an effort to show his desire to be taken seriously as a political pragmatist and an international statesman. Personable and unassuming, Nujoma, 61, has moved comfortably into his presidential role after nearly 30 years in exile. He has compensated for his lack of formal education and government experience by appointing capable senior officials from various racial, ethnic, and career backgrounds to advise him. Apparently aware of his limitations as he learns the ropes, he relies on subordinates and gives them wide latitude.

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NAMIBIA: **Nujoma's Visit to US**

President Nujoma, in meetings this week in Washington and at the UN-sponsored donors conference in New York, seeks reward for his government's moderate policies in the form of more development grants to further national reconciliation.

Namibia's SWAPO-led government—less than three months old—has adopted pragmatic economic, political, and social positions, It wants to promote foreign investment, although it has not completed drafting a budget or an investment code. Namibia says its $230 million foreign debt, incurred by former South African administrators, will impede badly needed programs to improve agriculture, education, and housing in rural areas. Government officials have stressed they prefer grants over loans.

Nujoma and other SWAPO officials have preached national reconciliation; the government has formed a new army of former SWAPO insurgents and territorial force units.

Comment: If Namibia renounces its foreign debt, South Africa would be responsible for repayment; for now Windhoek has assumed payments and probably will negotiate a compromise with Pretoria. Namibia needs foreign aid and investment to improve living conditions, training, and job opportunities. SWAPO leaders have promised peasants in crowded areas more land and improved services to blacks, and eventually Nujoma may have to deliver.

Windhoek wants to maintain good relations with Pretoria and to stabilize the border with Angola, where remaining security problems stem more from high unemployment and crime than from political strife. Namibia is unlikely to agree to Angola's request to let its forces cross into northern Namibia for operations against UNITA but probably would sell food, fuel, and other supplies to Angolan troops near the border.

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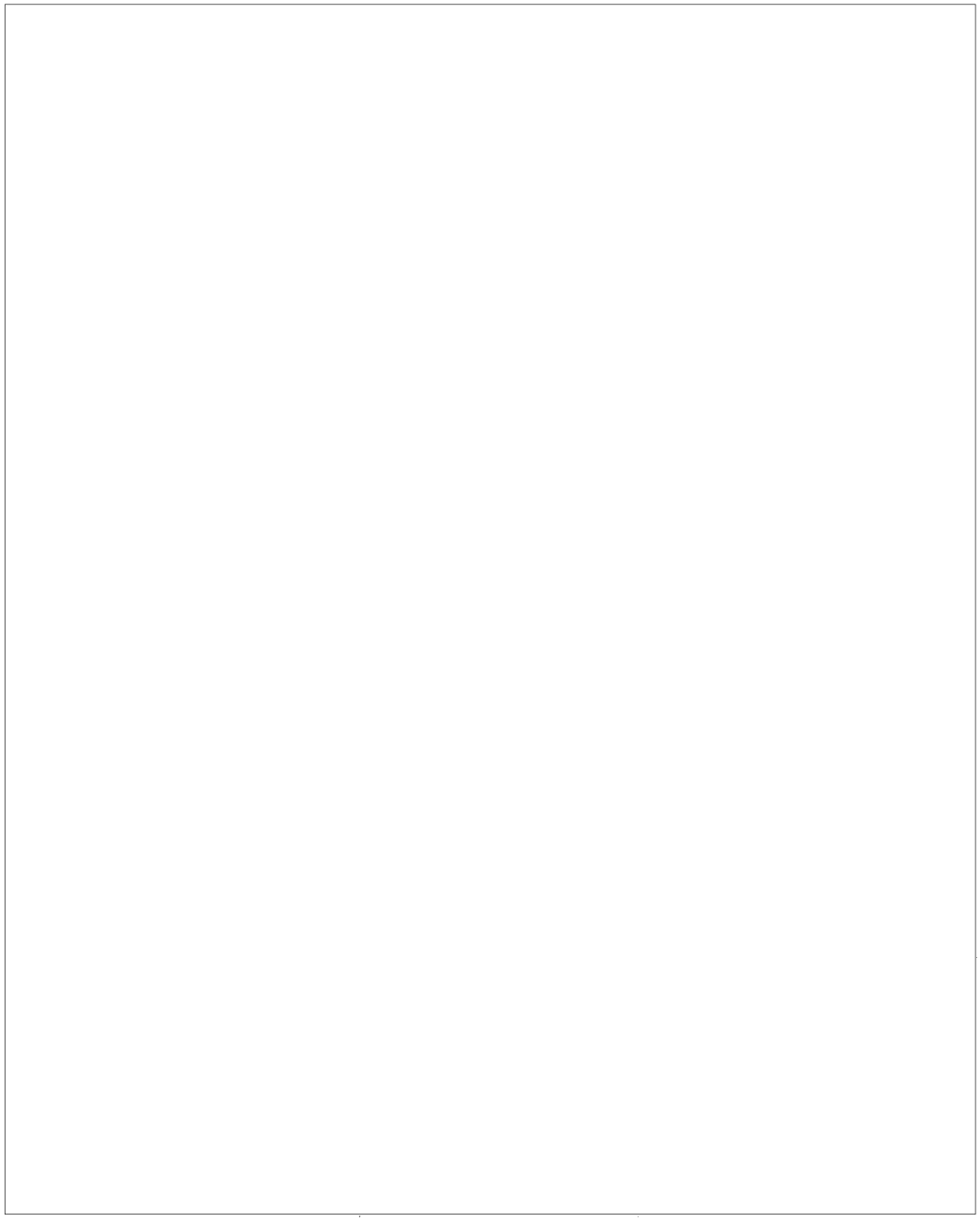

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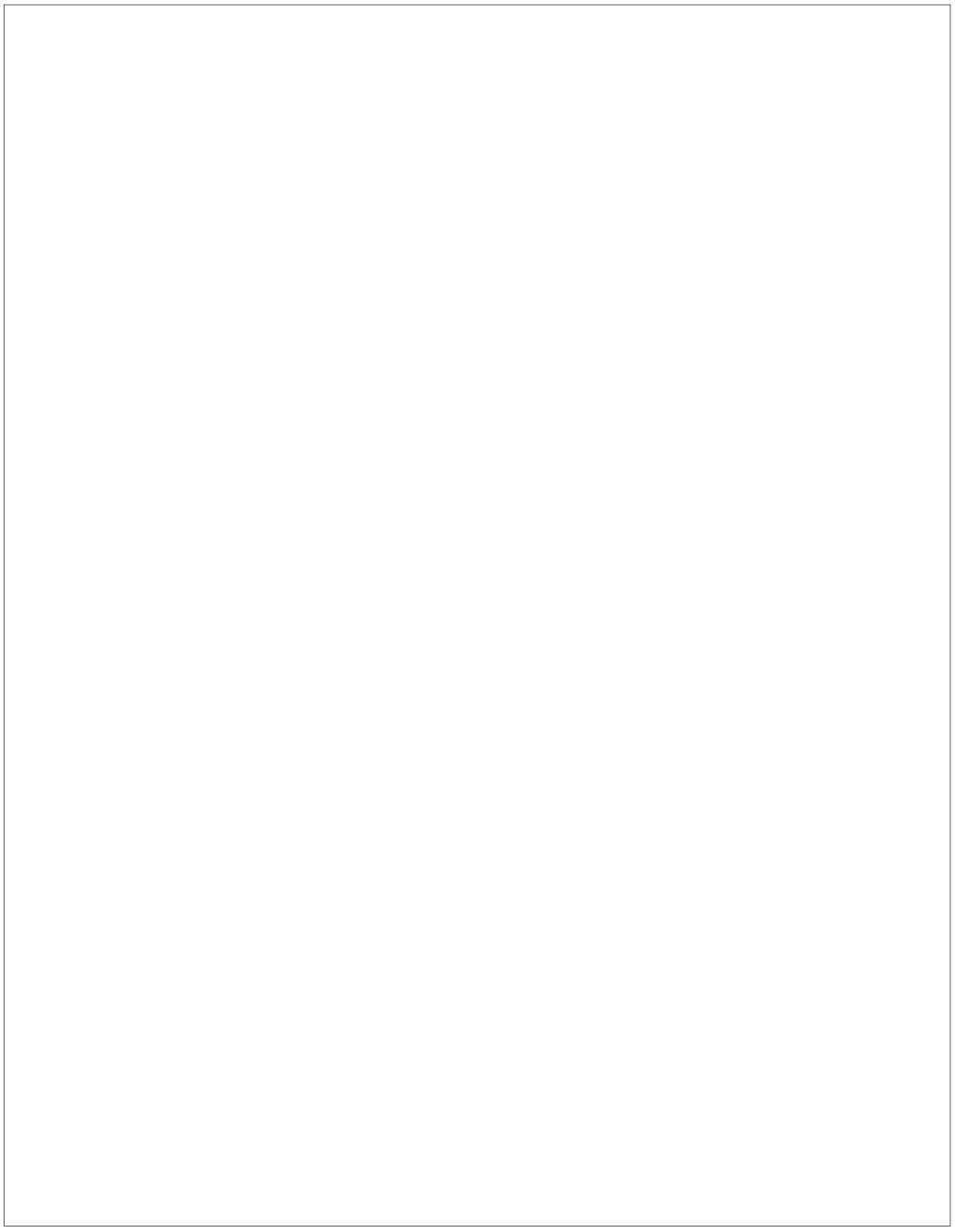


LIBERIA: Peace Talks Temporarily Suspended

Peace talks between Liberian Government and rebel representatives in Sierra Leone have recessed until next Monday to consult their respective leaders. No progress has been made on the questions of a cease-fire or on President Doe's resignation.

Negotiators agreed that both sides should exercise restraint in using military force and making public pronouncements during the recess.

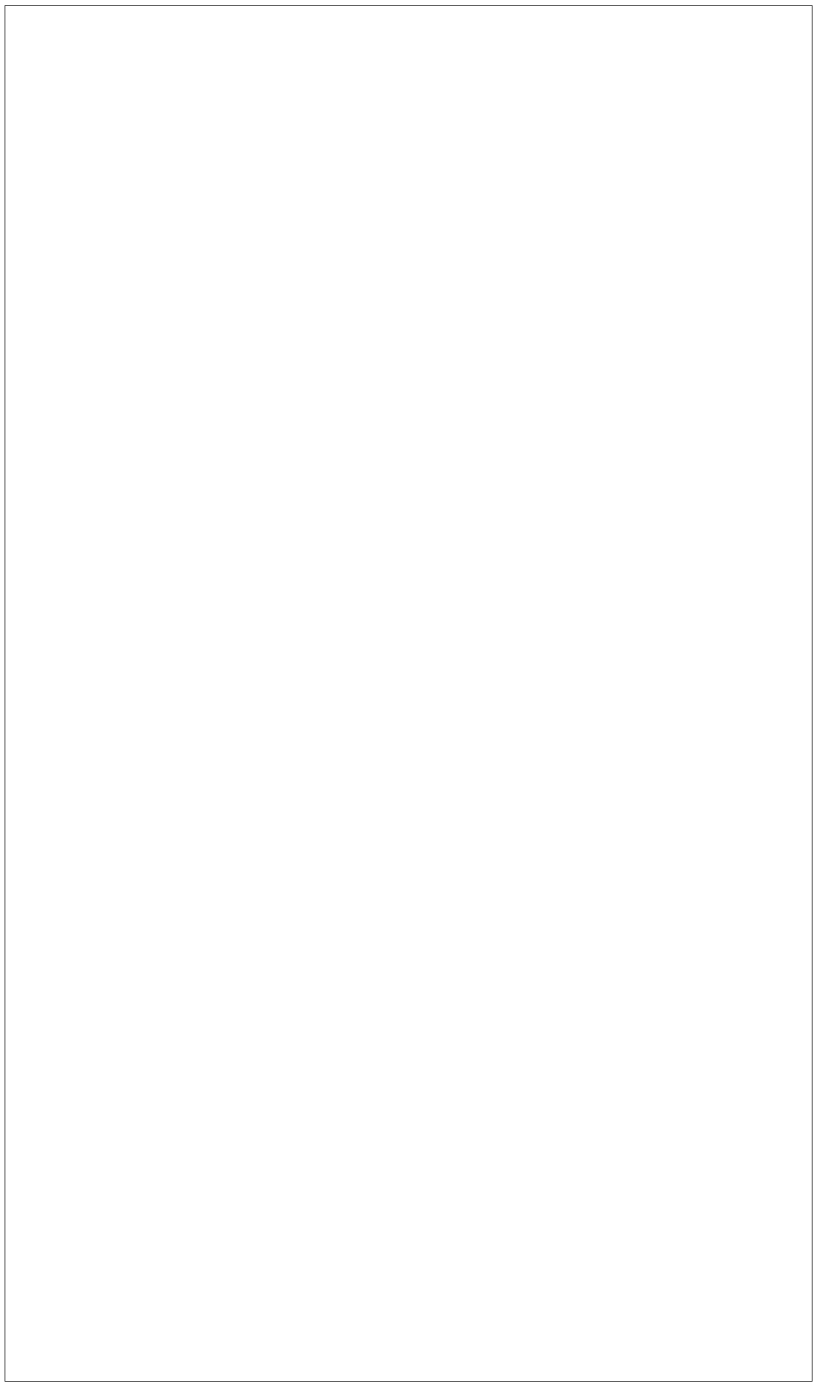
One rebel delegate told reporters yesterday that fighting probably will continue.

Comment: Both negotiating teams probably want to avoid a bloody battle for Monrovia and apparently hope, unrealistically, that Doe may reverse himself and step down in favor of an interim government. During the recess, the rebels are likely to consolidate their military hold near the capital and launch another public relations offensive to increase the demoralization of the Liberian army and the few high-ranking government officials supporting Doe.

USSR: Baltic Parliaments To Consider Gorbachev's Proposal

The three Baltic parliaments this week will discuss President Gorbachev's proposal that the three republics suspend their independence declarations and legislation in return for independence talks. Lithuania's Council of Ministers proposed on Saturday that the republic's parliament consider a temporary moratorium on its declaration rather than a suspension, because the former will preserve Lithuania's status as an independent state during the negotiations.

Comment: The Lithuanian government's proposal suggests the more radical parliament will insist on preserving the republic's legal independence to ensure talks with Moscow will be conducted outside the Soviet law on secession.



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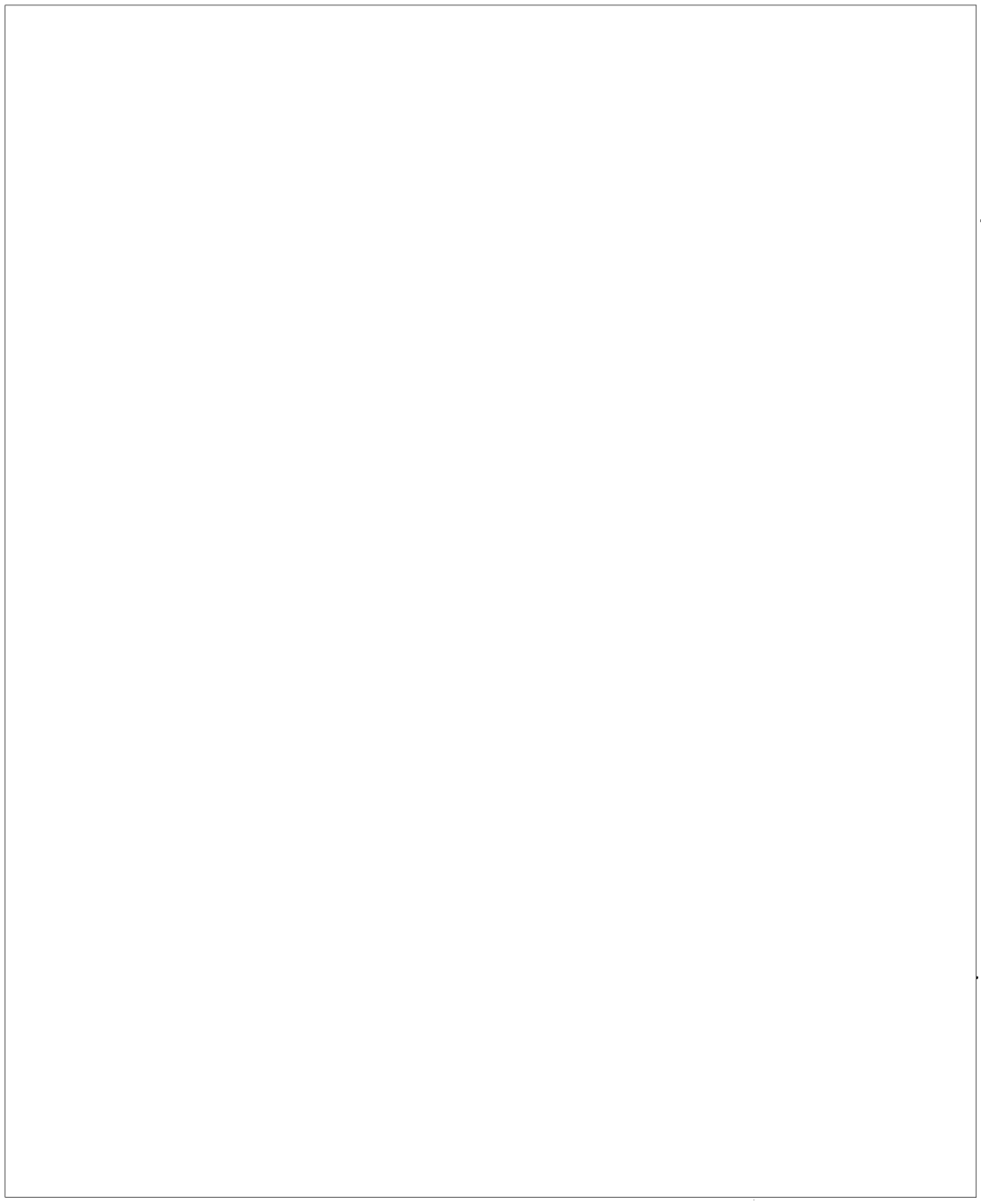


In Brief

USSR

—**Soviet** Foreign Minister Shevardnadze to visit **Japan** in September . . . Moscow may hope President Gorbachev's recent meeting with **South Korean** President will prompt Tokyo to soften demands on territorial dispute, move relations forward.

—New Peasants Union poses challenge to Gorbachev's agrarian reforms . . . blessed by party secretary Ligachev . . . dominated by officials who champion state, collective farm interests, more investments, oppose move toward private farming.

Europe

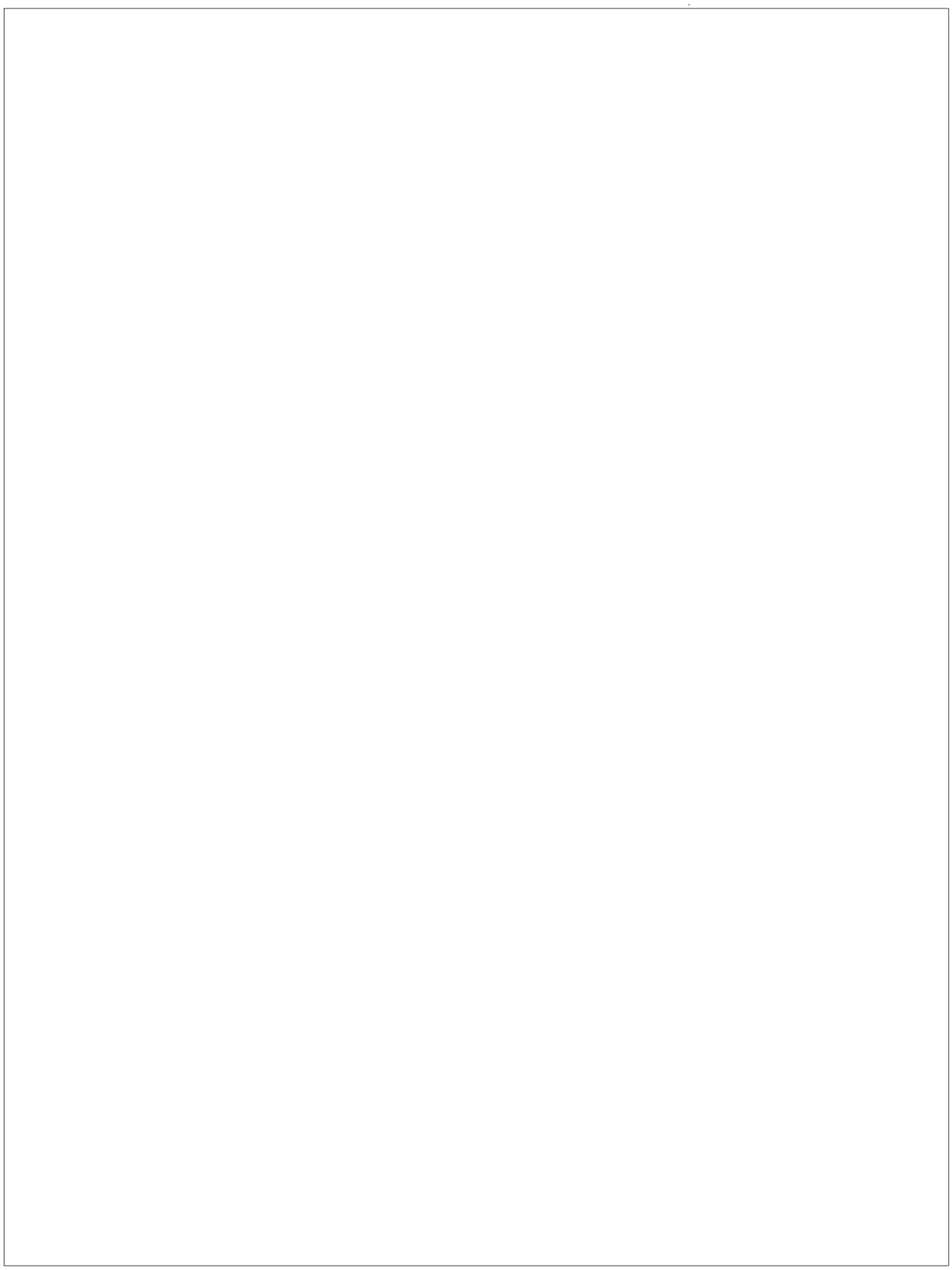
—Early second-round results in **Bulgarian** election yesterday indicate ruling Communists almost certain to get slim majority . . . vote proceeded smoothly, but observers say more intimidation by Communists this round . . . final results due tomorrow.

—EC Commission proposing customs union with **East Germany** . . . member states probably will approve this summer, staking out role in German unification . . . German trade with CEMA unaffected.

Latin America

—**Cuba** announced Thursday Radio Marti signal blocked in most provinces . . . previously jammed only in Havana area . . . regime has vowed to extend jamming nationwide.

—**Venezuela** postponed controversial gasoline price increase . . . may be trying to head off possible student protests, riots while schools in session . . . probably will eventually raise price to avoid jeopardizing IMF, World Bank financing.



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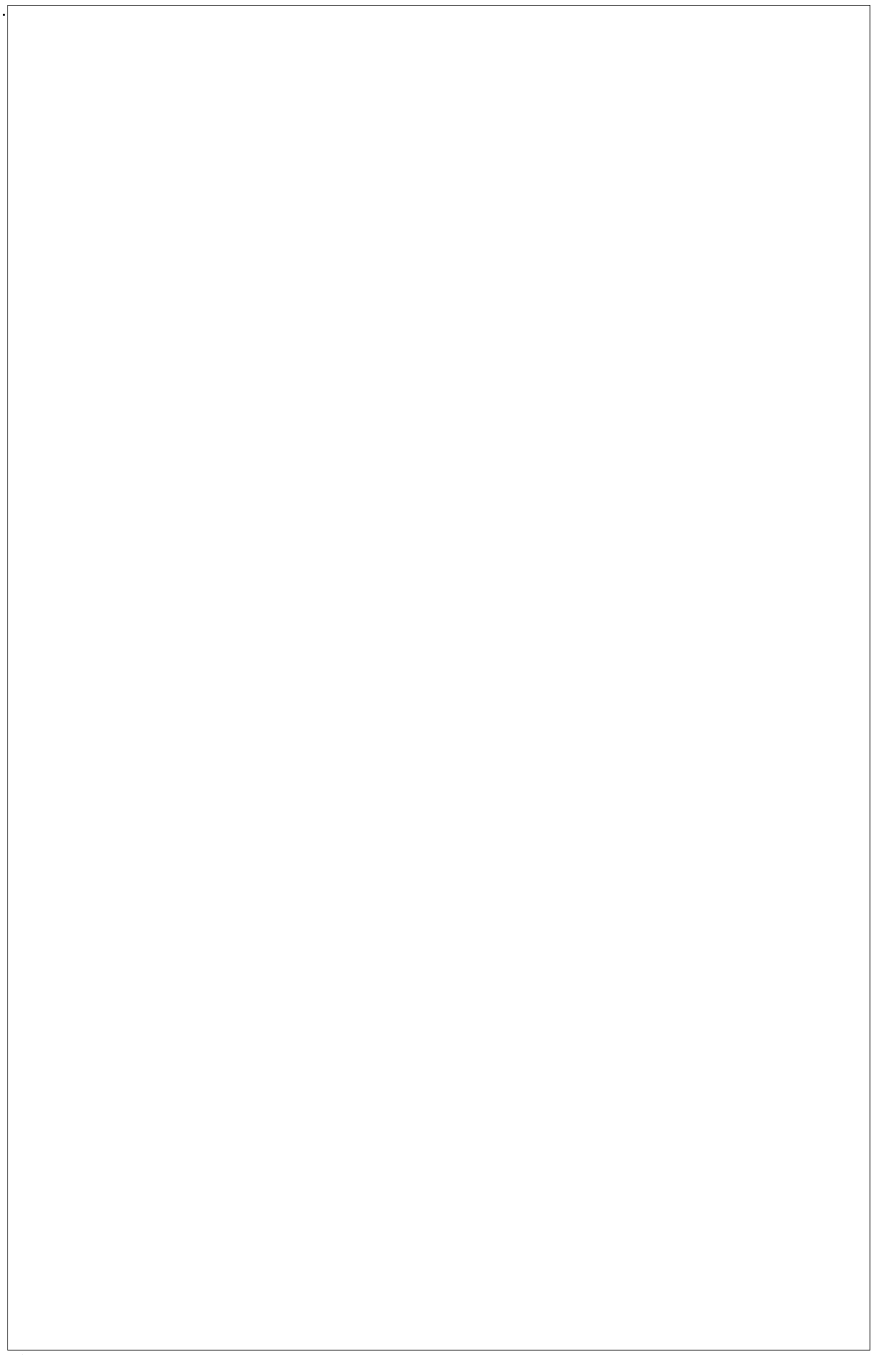
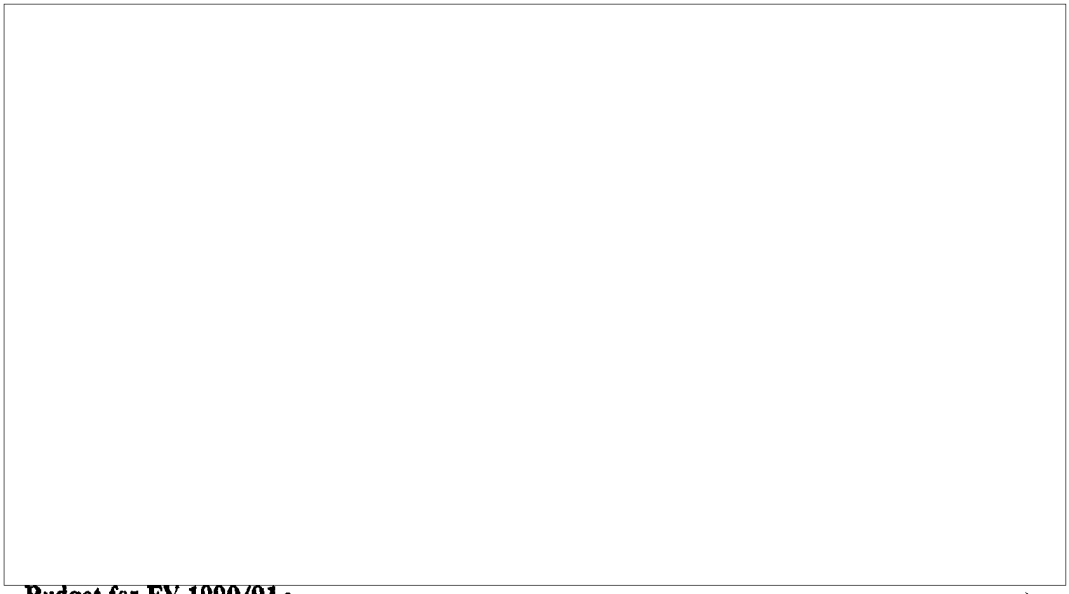


Lebanon



Budget for FY 1990/91 [a]

	Million US $ [b]
Total expenditure	1,030
Debt service	317
Defense	170
Education	114
Internal security	64
Total revenues	360
Direct taxes and duties	115
Indirect taxes	70
Projected deficit	670

[a] This is the first constitutionally approved budget since 1985.
[b] Exchange rate: Lebanese pounds per US $=580.

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Special Analysis

LEBANON: **Harawi Government Running on Empty**

President Harawi hopes to revive his political support through ambitious government spending; financial problems and Syrian-abetted factionalism among Lebanese Christian groups almost certainly will derail his plans.

The government does not have sufficient finances to carry out planned spending on defense, internal security, and debt. Violence and the destruction of economic assets have severely eroded revenue collection, leaving a deficit of about $700 million in the fiscal year that began in May. Officials plan to cover slightly less than half the deficit through domestic financing, mainly through mandatory and voluntary purchases of Treasury bills.

The Central Bank has $600 million in currency reserves and could cover the government's remaining expenditures for several months, depending on how often it intervened to stabilize the currency. The Bank has spent nearly $200 million in the past three months trying to stem the deterioration of the pound. Bank President Naim probably will deny Harawi funds to finance the rest of the projected deficit rather than further lower reserves and erode dwindling confidence in the economy.

Without the Bank's assistance, Harawi will have to depend on as yet unrealized foreign aid to cover the financial shortfall. Except for limited humanitarian aid, his pleas for more help from the Arab states have been ignored. The "International Fund," established during the Baghdad summit last month to attract Western aid for Lebanon, also has failed to secure donations.

Japan: Media Playing Key Role in the Consumer Movement

Japan's influential media have spurred the consumer movement by spotlighting consumer issues more frequently. In the past year Japan's major dailies and journals have published detailed exposes of unfair pricing practices. Several articles have noted that, despite partial liberalization of the beef market in 1988, consumers still pay up to eight times more for steak than their US counterparts.

The press also is increasingly suggesting ways for consumers to obtain products more cheaply. In February one prominent magazine explained how to get information on purchasing import products by mail order for substantially lower prices than charged domestically. Such direct imports avoid large markups by bypassing Japan's distribution system.

Press commentators often have taken a relatively favorable view of US efforts to open Japanese markets. As the Japan-US Structural Impediments dialogue has progressed, complaints of US meddling in Japan's domestic affairs have virtually disappeared from editorials. In several analyses in Japan's leading business newspaper, a senior editor argued that Washington's emphasis on consumer issues in the trade talks was largely responsible for focusing the LDP's attention on consumers. He gave US negotiators high marks for doing their homework and for building a political consensus in Japan for US proposals. He argued that the Socialist Party—Japans' largest opposition party—had let the US usurp the role of consumer champion that the public expects the opposition to play. Another prominent commentator wrote "the US has given life to consumerism in Japan."

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Special Analysis

JAPAN:

Impact of Growing Consumer Movement

A widely held belief in Japan that the benefits of economic success are not being shared evenly is fueling a consumer movement. The ruling Liberal Democratic Party (LDP) is responding by portraying itself as a champion of the consumer, a strategy it views as key to tapping swing voters. Although Japanese consumers are not likely to develop the clout of their Western counterparts, the new attention to consumer issues in Tokyo will benefit the US, in part by furthering less restrictive trade policies.

Consumer groups in Japan are winning new followers and getting their first taste of political influence. Some 70 percent of Japanese polled in a recent survey complained about the high cost of consumer goods. The Japan Consumer's Cooperative Union, which gained almost a million new members last year, used the unpopular 3-percent sales tax to rally voters against the LDP in the upper house election last summer.

Surveys show more Japanese now see themselves as lower-middle class than ever before. Moreover, Washington's emphasis on consumer issues in the Structural Impediments Initiative (SII) talks has helped draw attention to the high cost of living. And increased travel overseas has heightened consumer awareness that the quality of life in Japan lags behind that of other advanced industrialized nations.

Politicians Take Notice

The LDP, jolted by its loss of the upper house last year, tried to defuse the anger of consumers by exempting food and educational expenses from the sales tax. The move reportedly contributed to the LDP's strong showing in the lower house election in February. Media reports suggest the LDP will continue to play to consumers—many of whom are key urban swing voters—as part of an effort to pick up critical votes among the third of the electorate not committed to a political party.

Many domestic observers nonetheless argue that consumerism in Japan will fall short of the powerful movements in the US and Europe because producer interests will continue to dominate economic policy. Consumer groups lack the financial resources to contribute to political coffers or to undertake protracted legal battles. Moreover, despite a new awareness of the high cost of consumer goods, shoppers

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stress safety and other attributes over price and remain reluctant to attack the inefficient, multilayered distribution system that pushes up prices because they see it as an important source of employment.

Implications for the US

The emergence of even a limited consumer movement gives Washington a new lever to affect Japanese trade policy. The US appeal to Japanese consumers in the SII talks helped limit the influence of LDP politicians representing special-interest groups. A similar process may be under way involving the symbolically important commodity rice: a poll taken in March indicated that 67 percent of LDP supporters favor opening Japan's rice market to foreign suppliers.

More open markets for consumer products probably would not directly benefit the US because many US firms are not producing price-competitive consumer products. The US would gain indirectly, however, because strong consumer spending will stimulate GNP growth, leading to increased imports of capital goods—in which many US firms are competitive.